

FISCAL NOTE

HB 2545 – SB 2569

March 7, 2006

SUMMARY OF BILL: Decreases annually the percentage of the total premium that retired teachers with thirty or more years of service have to pay for participating in the Local Education Plan (LEP). Requires the retiree to pay 55% of the total premium during the first year of retirement. Decreases the portion retirees pay by 10% per year in each of the next three years of retirement. Decreases the portion retirees pay to 20% of the total premium for the fifth and all subsequent years of retirement.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$2,900,000 - FY07-08

Exceeds \$6,100,000 – FY08-09

Exceeds \$9,600,000 – FY09-10

Exceeds \$11,700,000 – FY10-11

Other Fiscal Impact – Beginning in FY11-12 and in each fiscal year thereafter, state expenditures would be expected to increase by the same percentage rate that the LEP premiums increase. For example, if the LEP premiums increase by 5% from FY10-11 to FY11-12, the estimated increase of state expenditures for FY11-12 would be approximately \$12,285,000 (5% above the previous year).

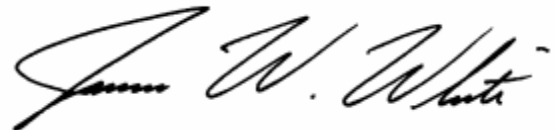
Assumptions:

- Current law requires retired teachers having thirty or more years of service to pay 55% of the total premium for participating in the LEP.
- The state pays the remaining 45% share.
- The total premium for the LEP was estimated at \$7,175.40 in FY05.
- Annual growth of premiums is estimated at 5%.
- The average number of retired teachers participating in the LEP with 30 or more years of service in any given year is estimated at 3,500.
- State costs under current law are estimated at \$12,500,000, \$13,100,000, \$13,700,000, \$14,400,000, and \$15,200,000 for fiscal years 2006-2007 through 2010-2011 respectively.
- As proposed in this bill, the state would pay the same 45% in FY06-07, 55% in FY07-08, 65% in FY08-09, 75% in FY09-10, and 80% in FY10-11 and in each fiscal year thereafter.
- If the state paid the higher percentages as proposed in this bill, the state's costs would be approximately \$12,500,000, \$16,000,000, \$19,800,000, \$24,000,000 and \$26,900,000 for fiscal years 2006-2007 through 2010-2011 respectively.

- As a result, state expenditures would increase \$0 in FY06-07, an amount estimated to exceed \$2,900,000 in FY07-08, an amount estimated to exceed \$6,100,000 in FY08-09, an amount estimated to exceed \$9,600,000 in FY09-10, and an amount estimated to exceed \$11,700,000 in FY10-11.
- State expenditures would be expected to grow by 5% each fiscal year thereafter.
- There are no retroactive provisions in this legislation.
- This act shall take effect July 1, 2006.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director